

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 EUR-12 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
SOE-02 OMB-01 DOE-11 /114 W

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R 310845Z JAN 78

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1077

INFO AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 1 OF 2 MANILA 1662

E.O. 1652: GDS

TAGS: EGEN, ETRD, EINV, JA, RP

SUBJ: FOURTH ROUND OF RP/JAPAN ECONOMIC NEGOTIATIONS

REF: 77 MANILA 16737

1. SUMMARY. ACCORDING TO THE JAPANESE EMBASSY HERE, THE FOURTH ROUND OF RP/JANPAN ECONOMIC NEGOTIATIONS HELD IN TOKYO JANUARY 20 TO 25 MADE A CERTAIN AMOUNT OF PROGRESS BUT ENDED WITH NO AGREE-
MENT, AS THE GOP PANEL INSISTED ON "DUTY FREE ENTRY AND FREE ACCESS" OF ITS EXPORTS INTO JAPAN AND REFUSED TO CONSIDER THE GOJ PROPOSEAL FOR INVESTMENT GUARANTEES. GOJ IMPLICITLY CONCEDED RIGHT TO GOP TO IMPOSE IMPORT RESTRICTIONS FOR BOP REASONS AND PROTECTION OF INFANT INDUSTRIES. GOP AGAIN EXTENDED VALIDITY OF 1960 TREATY OF AMITY, COMMERCE AND NAVIGATION FOR ANOTHER YEAR UNTIL JANUARY 27, 1979. GOP PROPOSED FIFTH ROUND IN MARCH IN MANILA. END SUMMARY.

2. THE FOURTH ROUND IN TOKYO WAS DOMINATED BY DISCUSSIONS ON TRADE. THE GOP PANEL REFERRED TO THE CONCESSIONS MADE RECENTLY TO THE UNITED STATES BY THE GOJ AND ASKED FOR SIMILAR TREATMENT OR APPROACH BY THE JAPANESE. IT IN-
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SISTED ON ITS FORMULATION OF ARTICLE IV WHICH CALLED FOR "DUTY FREE AND FREE ACCESS" OF PHIKIPPINE EXPORTS INTO JAPAN. JAPANESE REITERATED WHAT THEY TERMED "STRONG OPPOSITION" TO THIS PROVISION, WHILE STESSING THEIR READI-
NESS TO COOPERATE IN PROMOTING PHILIPPINE EXPORTS -- BI-
LATERALLY, IN THE MTN, THE ASEAN/JAPAN FORUM, ETC.

3. GOP PANEL ALSO SOUGHT TO OBTAIN FIRM GSP COMMITMENTS FROM THE JAPANESE, PRINCIPALLY BY ASKING FIRST FOR AGREEMENT ON DESIGNATED EXPORTS EITHER IN THE TREATY OR AS AN ANNEX. GOJ EXPLAINED WHY IT COULD NOT DO SO, PRINCIPALLY BECAUSE GSP IS A UNILATERAL OFFER AND IT DID NOT WISH TO GO TO THE DIET WITH SUCH A TREATY.

4. ON THE JAPANESE PROPOSAL FOR INVESTMENT GUARANTEES, THE GOP INDICATED ITS DIFFICULTY IN ACCEPTING THE PROPOSED PROVISIONS AND MAINTAINED THAT THESE SHOULD BE DISCUSSED IN SEPARATE NEGOTIATIONS ON AN INVESTMENT AGREEMENT. GOP MENTIONED ITS INVESTMENT TREATY WITH FRANCE WHICH IT IS USING AS MODEL IN CURRENT NEGOTIATIONS WITH THE UNITED KINGDOM. JAPANESE ARE INCLINED TO GO ALONG WITH THE GOP PROPOSAL FOR A SEPARATE INVESTMENT AGREEMENT, ALTHOUGH THE JAPANESE EMBASSY BELIEVES THAT ITS CHIPS ARE ON THE TRADE SIDE AND TO GIVE UP THE INVESTMENT GUARANTEES AT THIS TIME WOULD MAKE THE TASK MUCH MORE DIFFICULT IN FUTURE. IT MAY CONSIDER RECOMMENDING TO TOKYO TO KEEP THE INVESTMENT GUARANTEES IN THE CURRENT NEGOTIATIONS.

5. THE GOP DRAFT CONTAINS LANGUAGE BIASED TOWARDS DEVELOPING COUNTRIES DESIGNED TO COMMIT THE GOJ TO FAVOR, OR GIVE PREFERENCE TO, THE PHILIPPINES. IN ARTICLE III, THE GOP DRAFT PROVIDED FOR IMPOSITION OF IMPORT RESTRICTIONS.

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TIONS TO SAFEGUARD THE RP'S EXTERNAL FINANCIAL POSITION AND BALANCE OF PAYMENTS AS WELL AS FOR ESTABLISHING DOMESTIC INDUSTRIES. AT THE FOURTH ROUND THE GOJ PANEL ACCEPTED THIS PROVISION WITH MODIFICATIONS, BUT BALKED OVER THE RIGHT TO RESTRICT IMPORTS "IN THE INTEREST OF PREVENTING DECEPTIVE OR UNFAIR PRACTICES".

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INFO AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 2 OF 2 MANILA 1662

6. THE PREVIOUS JAPANESE CONCESSION TO ACCEPT NON-NATIONAL MFN TREATMENT ON SHIPPING HIT A SNAG WHEN THE GOP SIDE INSISTED ON RETAINING AN OPTION TO EXTEND NATIONAL TREATMENT TO ASEAN COUNTRIES. UNDER MFN JAPAN WOULD ALSO ENJOY NATIONAL TRATEMENT EXTENDED TO A THIRD COUNTRY, EXCEPT THAT THERE IS EXCLUSION CLAUSE ON ANY PRIVILEGES EXTENDED TO ASEAN. GOJ PANEL DECLARED, IF THIS OPTION REMAINS, IT WOULD WITHDRAW ITS CONCESSION.

7. SIMILARLY, THE GOP CONTINED TO INSIST ON EXCLUSION FROM TREATY OF ANY SPECIAL PREFERENTIAL RELATIONSHIP WITH THE UNITED STATES. JAPANESE AGAIN SAID THEY WOULD NOT ACCEPT SUCH A CLAUSE, BUT THE FILIPINOS ASKED WHY JAPANESE COULD NOT ACCEPT WHAT OTHER COUNTRIES HAVE. COMMENT: WE BELIEVE FILIPINOS ARE TESTING THE JAPANESE ON THIS, AND EMBOFF REASSURED JAPANESE EMBASSY CONTACT THAT USG WAS NOT ASKING FOR PARITY AND INDEED DID NOT SEE URGENT NEED AT THIS TIME FOR SUCCESSOR AGREEMENT AT LAUREL-LANGLEY. END COMMENT.

8. THE JAPANESE AGAIN RESISTED GOP ATTEMPT TO PLACE RESPONSIBILITY FOR MARINE POLLUTION ON THE FLAG COUNTRY.
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THEY ARGUED THAT THE SUBJECT IS CLOSEL RELATED TO ONGOING STUDIES BY IMCO AND LAW OF THE SEA CONFERENCE, AND VOLUNTEERED TO FIND A FORMULATION REFLECTING THIS FOR INCLUSION IN THE TREATY.

9. ON THE OTHER SIDE, THE GOP OPPOSED INCLUSION OF EXPLICIT REFERENCES TO GATT AND IMF WHICH THE JAPANESE WANTED TO SAFEGUARD TRADITIONAL PRINCIPLES. GOP ARGUED THAT SPECIFIC IMPLICATIONS OF THE GATT AND IMF CLAUSES HAVE TO BE CLARIFIED, BUT CANNOT BE DONE UNTIL THE MAIN SUBSTANCE OF THE TREATY IS AGREED UPON.

10. SINCE IT BECAME CLEAR THAT NO AGREEMENT COULD BE FINALIZED DURING THE FOURTH ROUND THE GOP DECIDED TO PROCEED WITH EXTENDING THE VALIDITY OF THE 1960

ACN TREATY FOR ANOTHER YEAR. SECRETARY ROMULO THUS CALLED IN AMBASSADOR MIKANAGI ON JANUARY 25 AND HANDED OVER A NEW LETTER NOTIFYING THE GOJ OF INTENT TO TERMINATE THE TREATY BUT DELAYING THE EFFECTIVITY OF THE LETTER UNTIL JANUARY 27, 1979. COMMENT: THE JAPANESE WERE PLEASED, AS THEY CONSIDERED THE FILIPINOS HAD BLINKED FIRST. END COMMENT.

11. THE JAPANESE PANEL WAS HEADED BY TAKEHIKO NISHIYAMAN, DEPUTY DIRECTOR GENERAL OF THE ASIAN AFFAIRS BUREAU OF THE FOREIGN MINISTRY. THE GOP SIDE WAS AGAIN HEADED BY AMBASSADOR PABLO R. SUAREZ, JR., ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS IN DFA. THE JAPANESE EMBASSY HERE COMMENTED THAT SUAREZ WAS NOT WELL PREPARED FOR THE NEGOTIATIONS, AND ON A COUPLE OF OCCASIONS CONFUSED RP/JANPANENSE ISSUES WITH RP/US ONES.

12. THE GOP PROPOSED THE FIFTH ROUND BE HELD IN MANILA
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IN MARCH, A DATE WHICH THE JAPANESE BELIEVE DID NOT GIVE THEM MUCH TIME FOR PREPARATION. ON THE WHOLE, THE JAPANESE EMBASSY BELIEVES GHAT A CERTAIN AMOUNT OF PROGRESS HAS BEEN MADE AND THAT THE FILIPINOS NOW HAVE A CLEAR UNDERSTANDING OF THE LIMITS OF THE JAPANESE POSITIONS. AS FAR AS THE JAPANESE ARE CONCERNED, THE MAIN OUTLINES OF AN AGREEMENT ARE BEGINNING TO EMERGE AND THERE WOULD BE A TREATY IF THE GOP GIVES UP ITS UNREALISTIC REQUESTS AND SETTLES DOWN TO HAGGLING OVER WHAT COULD BE AGREED UPON.
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